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SUBJECT: JAPANESE MORNING PRESS HIGHLIGHTS 03/08/06

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Prime Minister's schedule, March 7

NIHON KEIZAI (Page 2) (Full)
March 8, 2006

08:00

Met Deputy Chief Cabinet Secretary Suzuki at Kantei.

08:31

Attended a cabinet meeting in Diet.

09:00

Attended the Upper House Budget Committee meeting.

11:59

Arrived at Kantei.

13:00

Attended the Upper House Budget Committee meeting.

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17:34

Attended a meeting of the Council on Economic and Fiscal Policy held at Kantei.

19:09

Met Secretary General Takebe, Election Bureau chief Endo, and other members of the LDP executive liaison meeting at Hotel Okura.

20:51

Arrived at residence.

4) New LDP lawmakers -- the freshmen "83" -- US embassy to play friendly baseball game on March 15 at Tokyo Dome

MAINICHI (Page 2) (Full)
March 8, 2006

The Association of Hachi-san, which is made up of 83 Liberal Democratic Party (LDP) lawmakers elected for the first time to the Diet in last year's House of Representatives election, will play a baseball game with the US embassy staff in Tokyo on March 15. Ambassador Thomas Schieffer, who loves baseball, will take part in the game as manager of the embassy team.

According to the embassy, it is extremely rare for it to hold this kind of event. Some lawmakers view that the US side has admitted the so-called "Koizumi children's" superiority.

Ambassador Schieffer as an investor was a partner with President George W. Bush in owning the Major League baseball club Texas Rangers. He is wild about baseball. The game will start at 7:00 p.m. No admission fee is required. The two sides will split the fee for Dome usage of about 800,000 yen.

5) Okinawa officials, vice defense minister differ on Futenma relocation

YOMIURI (Page 4) (Full)
March 8, 2006

Okinawa prefectural government officials, including Lt. Gov. Hirotaka Makino, visited Defense Agency Administrative Deputy Director General Moriya at the Defense Agency yesterday to file a protest against the planned relocation of the US Marine Corps' Futenma Air Station in the city of Ginowan, Okinawa Prefecture, to a coastal area of Camp Schwab in the city of Nago. "It's unconvincing to the local communities from the perspective of noise and danger," Makino told Moriya. Meanwhile, Okinawa Gov. Keiichi Inamine will meet with Defense Agency Director General Nukaga tomorrow to oppose the coastal plan again.

6) Foreign Minister Aso underlines sincerity for obtaining local understanding about Futenma relocation plan

ASAHI (Page 3) (Full)
Evening, March 7, 2006

Touching on local coordination for the planned relocation of the US Marine Corps' Futenma Air Station in Ginowan, Okinawa Prefecture, foreign Minister Taro Aso in a press conference

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earlier today pointed to the need to obtain understanding of Okinawa Gov. Keiichi Inamine, Nago Mayor Yoshikazu Shimabukuro and others who are opposed to relocating the airfield to Cape Henoko in Nago. Aso said: "It is necessary to show an attitude not to reach a consultation easily and deal with the issue earnestly, giving it time."

Defense Agency Director General Fukushima Nukaga also told a press conference today, "It is important to offer thorough explanations and to continue working hard to obtain understanding."

In contrast, Chief Cabinet Secretary Shinzo Abe in a press conference today reiterated the view that in the event the government failed to obtain local understanding, it would have to prioritize the agreement with the US. He said: "Although we have been conducting talks with the US while keeping local voices in mind, decisions will be made through bilateral talks in principle. In making decisions, we will offer explanations to local areas."

7) Koizumi admits Iwakuni's base-hosting burden

TOKYO SHIMBUN (Page 2) (Abridged)
March 8, 2006

The House of Councillors Budget Committee held a question-and-answer session yesterday with Prime Minister Junichiro Koizumi and all his cabinet ministers attending.

In the session, Koizumi, asked about the planned realignment of US forces in Japan, referred to the planned redeployment of US carrier-borne fighter jets from the US Navy's Atsugi base in Kanagawa Prefecture to the US Marine Corps' Iwakuni base in the city of Iwakuni, Yamaguchi Prefecture. In his reply, Koizumi stated that the burden of some base-hosting localities, including Iwakuni, might be lessened. At the same time, however, he also said the redeployment of US carrier-borne fighters to Iwakuni would be an additional burden on the city. "All (in Japan) will have to think about alleviating the burden while maintaining deterrence," he added. With this, the premier indicated that it would be unavoidable for some local communities to sustain the burden of hosting US military bases.

8) Gov't briefing on Atsugi base soundproofing called off with residents crowding

TOKYO SHIMBUN (Page 31) (Full)
March 8, 2006

The Tokyo bureau of the Defense Facilities Administration Agency held a briefing of local residents yesterday evening in the city of Machida, Tokyo, on its plan to cover more areas for soundproofing subsidization against aircraft noise around the US Navy's Atsugi base. The briefing, however, was called off because the hall became crowded with too many residents.

The briefing was held at Machida Civic Forum Hall with a seating capacity of 180. However, there were nearly 1,000 people overflowing the hall.

The DFAA Tokyo bureau will postpone other local briefings

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originally scheduled for March 8 and 13. The bureau will reschedule the briefings.

Judging from the number of households to be considered for soundproofing subsidization, the municipal government of Machida City had told the DFAA Tokyo bureau that it would be difficult to brief local residents at the hall as planned, local authorities said. "The hall was too small to let them all in," a bureau official said. "We miscalculated," the official added.

The DFAA Tokyo bureau monitored aircraft noise levels in fiscal 2003 and 2004 to review areas for soundproofing subsidization. The monitoring survey found an increase in the frequency of roaring fighter jet takeoffs and landings. As it stands, an increasing number of local residents have been affected by jet noise in other areas situated north and south of the base. In the city, about 80 households were subsidized for anti-noise soundproofing. However, the municipal government estimates the number of affected households at about 47,000.

9) DPJ's Maehara raps Abe over USFJ realignment

YOMIURI (Page 4) (Full)
March 8, 2006

Democratic Party of Japan (Minshuto) President Maehara criticized Chief Cabinet Secretary Abe for indicating that the Japanese and US governments would release a final report on the realignment of US forces in Japan even without local consent. "He put the cart before the horse," Maehara told a news conference yesterday. He added: "If the government pushes its way through, the government will encounter strong backlash from local communities. Such an approach could seriously impair the foundation of Japan's security alliance with the United States."

10) Katayama set stage for putting end to four issues ahead of Minshuto

TOKYO SHIMBUN (Page 2) (Full)
March 8, 2006

In the Upper House Budget Committee session yesterday, Liberal Democratic Party Upper House Secretary-General Toranosuke Katayama took up the set of four issues, including the Livedoor scandal. In the committee session the day before, Minshuto (Democratic Party of Japan), still unable to recover from the e-mail fiasco, hardly touched on them. In stark contrast, Katayama broached the issues head on.

Touching on the Livedoor issue, Katayama said: "The scandal sounded a loud alarm against a money worshiping mentality. People treated (former Livedoor Co. President Takafumi Horie) like a hero." Although Katayama stopped short of referring to Internal Affairs and Communications Minister Heizo Takenaka and others by name who had supported Horie in the Lower House election last year, Takenaka turned pale at Katayama's statement.

As a persistent critic of Livedoor's management style, Katayama unleashed his discontent yesterday.

But as a member of the ruling bloc, his purpose was not to pursue the government's responsibility but to underscore the importance

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of preventive measures. In connection with the bid rigging scandal involving the Defense Facilities Administration Agency, Katayama also elicited a pledge from Defense Agency Director General Fukushima Nukaga to uncover all problems. Katayama seems to have successfully set the stage for putting an end to the four issues, outmaneuvering Minshuto.

11) Growing isolation of Maehara in Minshuto

YOMIURI (Page 4) (Excerpts)
March 8, 2006

Minshuto (Democratic Party of Japan) President Seiji Maehara seems to sense a growing isolation from the party due to the backlash of the e-mail fiasco caused by a party lawmaker and other matters. The main opposition party confirmed yesterday the implementation of the party's presidential election in September as planned. The party, however, put off ironing out differences of opinions in the party on Maehara's stock argument that China is a threat to Japan. Senior party members, including former party deputy head Ichiro Ozawa and former party head Naoto Kan, who have distanced themselves from Maehara, launched yesterday a study group on education issues. They are now taking action with an eye on the upcoming leadership race. Given these circumstances, Maehara finds himself in a tough position.

At an executive board meeting yesterday, Minshuto confirmed a policy line of carrying out the presidential race in September, squashing the view calling for moving up the election. He then categorically said in a meeting of the standing secretaries general held later in the day, "I take your severe views in a serious manner, and I would like to make a fresh start to revitalize our party."

With the decline of Maehara's grip on the party, internal forces critical of Maehara have gained strength.

In a meeting yesterday morning of the party's foreign and defense affairs divisions, the leadership planned to get a consensus in the party on the argument that China is a threat to Japan, but views opposing to the executive's plan were raised one after another. A junior lawmaker said: "When we have to band together, it's not wise to bring up the issue on which views are divided in the party."

Policy Research Council Chairman Takeaki Matsumoto, however, reacted strongly, saying, "If we want to arrive at a consensus on the issue in the presidential election, we don't need any division meeting."

Keiichiro Asao, foreign minister of the "Next Cabinet," sought understanding from the participants, saying, "If we don't reach a consensus, the media will release reports critical of our party." However, a conclusion has been carried over to the next session or later.

12) Where are the showcase issues for latter half of Diet session? Ruling parties slow in making coordination for important bills

YOMIURI (Page 2) (Full)
March 8, 2006

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The Liberal Democratic Party approved at its General Council meeting yesterday 19 bills and treaties, including an administrative reform promotion bill characterized as the summing up of the Koizumi reform drive. The council did not discuss a bill to upgrade the Defense Agency to ministry status, a bill amending the Basic Education Law, and a national referendum bill stipulating a set of procedures for constitutional revision. This means they cannot make a cabinet decision on March 10, the deadline for important bills. The ruling coalition, however, once aimed to submit all these priority bills to the Diet in the current session. The ruling bloc is also struggling to find showcase issues for the remaining Diet session after the passage of the fiscal 2006 budget.

LDP Policy Research Council Chairman Nakagawa and his New Komeito counterpart Inoue confirmed yesterday to place high priority on: (1) a Hokkaido doshu system special zone bill; (2) Basic Education Law amendment; (3) medical reform; and (4) reform of the public servant system. They also agreed to make a decision on the question of raising the Defense Agency to ministry status after watching the course of the bid-rigging scandal involving the Defense Facilities Administration Agency.

Given the fact that former Education Minister Tadamori Oshima, who also chairs the Lower House Budget Committee, is no longer bound by budget deliberations as the budget bill has cleared the Lower House, the ruling bloc intends to hurry internal party coordination for the Basic Education Law revision bill for discussions by the ruling party study panel chaired by Oshima. Chief Cabinet Secretary Abe, LDP Secretary General Takebe and others are also eager to settle those bills in the current Diet session.

The LDP and New Komeito are also in accord to send the national referendum bill to the Upper House after the consecutive holidays in May. The Lower House Special Research Committee on the Constitution chaired by Taro Nakayama decided yesterday to let its directors examine contentious points starting next week.

But it is still uncertain if the two bills can make the Diet in the current session, as there are different views in the ruling parties. Some fear that if the current Diet session is not extended beyond June 18, the LDP presidential race planned for September might overheat early.

The public servant system reform bill has recently surfaced as a possible showcase issue.

There is a fissure between the government and labor unions over the question of giving public servants basic labor rights. If Minshuto (Democratic Party of Japan), backed by labor unions, digs in its heels deeper against the LDP, it might "turn into a good excuse to extend the Diet session," according to a senior LDP member. LDP Upper House Secretary General Katayama advised Nakagawa on March 2 to submit the bill to the Diet. In response, Nakagawa revealed his intention to seriously discuss the public servant reform bill once a prospect is obtained for the administrative reform promotion bill.

13) Rally of 10,000 people opposing Imperial House Law revision takes place in Tokyo

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YOMIURI (Page 4) (Full)
March 8, 2006

A private organization opposing a revision of the Imperial House Law yesterday a rally of 10,000 people wishing to preserve the tradition of the Imperial family. A total of 86 Diet members from the ruling and opposition parties took part in the rally held in Nippon Budokan Hall. The 86 lawmakers are made up of 54 Liberal Democratic Party members, 21 members from Minshuto (Democratic Party of Japan) and nine independent lawmakers. According to the organizer, 10,300 persons participated in the rally.

The rally adopted a resolution calling for forming a suprapartisan parliamentary group in a bid to oppose a revision of the Imperial House Law.

14) Chinese foreign minister equates shrine visits with Nazi worship, saying, "Germany, too, criticizes Yasukuni Shrine visits"

YOMIURI (Page 1) (Full)
March 8, 2006

By Yujiro Toyoda, Beijing

At a press briefing yesterday, Chinese Foreign Minister Li Zhaoxing again mentioned Prime Minister Koizumi's repeated visits to Yasukuni Shrine and lashed out: "(German people) also see them as something absurd and unethical." Equating shrine visits with worship of Hitler or Nazism, Li repeated his assertion that the Japanese leader's attitude holds the key to mending the chilly relations between Japan and China.

While noting that the ordinary citizens of the two nations hope

for friendly ties, the Chinese foreign minister stated that a high-level German official is also critical of the shrine visits. He also insisted that the United States and his American and Malaysian friends have told him that they remember the acts committed by the Japanese military during World War II, including the attack on Pearl Harbor. He added: "Not only the Chinese but also citizens of many countries cannot accept shrine visits. There are too many examples of this sort to mention."

On the other hand, Li said that the basic policy for Japan-China relations remains the same. He referred to the five items President Hu Jintao declared during the Japan-China summit meeting last April, for example, observing the three joint papers between Japan and China, including the Japan-China Joint Statement, Japan's handling of the historical issue in a sober fashion, and Japan's refusal to endorse Taiwan's independence.

15) The origin of the strained Japan-China relations rests in Japanese leaders paying respects before Class-A war criminals at Yasukuni Shrine, Chinese foreign minister says

YOMIURI (Page 2) (Full)
March 8, 2006

Commenting on Japan-China relations, Chinese Foreign Minister Li Zhaoxing during a press conference held at the People's Great Hall in Beijing said, "The cause of the setback facing China and

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Japan is to be found in the fact that some Japanese leaders still continue to pay their respects before Class-A war criminals." He thus strongly criticized Prime Minister Koizumi's visits to Yasukuni Shrine.

Li went on to say, "No German leaders have ever expressed their respects for Hitler or Nazis after the end of World War II." He also said, "The peoples of not only China but also many other countries cannot accept Japanese leaders worshipping Class-A war criminals."

Prime Minister Koizumi rejected Li's criticism, noting, "I visit Yasukuni to offer prayers to all the war dead."

16) Japan, China still wide apart on gas field development; Japan to reject China's proposal for joint development in two oceanic areas

NIHON KEIZAI (Page 3) (Excerpts)
March 8, 2006

By Yuri Momoi, Beijing

The fourth round of senior working-level talks in Beijing, hosted by the Chinese government, wound up a two-day schedule yesterday. In the talks, Chinese negotiators proposed conducting joint development in two oceanic areas: 1) one slightly closer to the Chinese territory from the equidistant line in the north of the East China Sea and 2) one near the Taiwanese territory in the south of the East China Sea. Both governments refrained from disclosing details of China's new proposal in order to avoid any possible impact on bilateral talks.

Minister of Economy, Trade and Industry Toshihiro Nikai yesterday indicated that given the present circumstances, it would be difficult to accept the new proposal. The Japanese government as early as today will decide to reject China's new proposal.

A total of seven and a half hours were devoted to discussions during the two-day session this time. The Japanese team called on China to halt its development of the Shirakaba (or Chunxiao in Chinese) gas field and provide relevant information on the development to Japan. But Chinese negotiators refused to do so. They did not respond to Japan's proposal made in the third round of the talks last year on joint development of four gas fields, including Shirakaba.

The Japanese negotiators stated that they would take home China's new proposal for discussion. Both Japan and China agreed on a plan to hold the next round in Tokyo at an early date. The two nations have shared the perceptions on joint gas field development, for instance, that even if both sides strike a deal on joint development, the deal is a provisional arrangement, so it would not affect negotiations over the national boundary; and that such a deal would be reciprocal.

According to a government source, the Japanese negotiators made it clear that China's new proposal is far from what Japan has asserted.

Chief Cabinet Secretary Shinzo Abe told reporters yesterday evening: "We'll continue negotiations in order to turn the East

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China Sea into the sea of cooperation while firmly securing our sovereignty." Meeting the press, Prime Minister Junichiro Koizumi said: "Our team will bring it home for discussion."

17) Gas field development talks; China proposes joint development near Senkaku Islands; Government to decline

SANKEI (Top Play) (Excerpts)
March 8, 2006

The fourth round of talks between the Japanese and Chinese governments to discuss the development of gas fields in the East China Sea ended yesterday. According to a Japanese Foreign Ministry source, the Chinese side came up with a new proposal for jointly developing gas fields off the Senkaku Islands, which belong to Japan, and the continental shelf belonging to Japan and South Korea. China declined Japan's call to stop the development of the Shirakaba gas field, known as the Chunxiao gas field in China.

A Foreign Ministry source noted that it has long been believed that there are gas reserves near the Senkaku Islands and the Japan-South Korea continental shelf, but since there is no test-drilling data, the existence of reserves is unclear.

The Chinese proposal is thus seen as an attempt to rattle the Japanese government by including the Senkakus, Japanese territory, in its proposal for joint development.

Emerging from the meeting, Foreign Ministry Asia-Oceanian Affairs Bureau Director General Kenichiro Sasae, who represented Japan, indicated that it would be difficult to accept the Chinese proposal. He noted: "I believe the Chinese side is willing to move ahead through cooperation, but whether that was reflected in the actual contents of its proposal is another matter." The next round of the talks will be held in Tokyo.

18) Government to adopt speed-oriented FTA strategy, reflecting deadlocked EPA negotiations

NIHON KEIZAI (Page 1) (Full)
Evening, March 7, 2006

The government decided in its ministerial talks yesterday morning that it would adopt a new strategy to promote negotiations with various countries with the aim of concluding only a free trade agreement (FTA) or an investment accord, turning around from the conventional policy of focusing only on signing a comprehensive economic partnership agreement (EPA). Keeping the recent heating-up global FTA race in mind, the government has decided to adopt a speed-oriented FTA strategy, instead of the current quality-oriented one, under the lead of the Prime Minister's Office. The focus of future discussions will be on concluding an investment agreement with China on a top priority in response to strong requests from industrial circles.

The FTA is designed to scrap tariffs and other trade barriers. Under an EPA, in addition to the deregulatory measures under an FTA, investment rules will be abolished, and dispute-settlement

procedures will also be arranged. The government has so far focused on concluding high-quality EPAs.

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However, because it takes time to reach a quality-oriented accord, the government is now concerned that Japanese companies might be put at a disadvantage in exporting and other business areas. Japan started negotiations with the Association of Southeast Asian Nations last April, but the talks fell apart at the very beginning. China and South Korea have already signed FTAs with ASEAN.

Attending the ministerial meeting yesterday were Foreign Minister Taro Aso, Economy, Trade and Industry Minister Toshihiro Nikai, Finance Minister Sadakazu Tanigaki, Agriculture, Forestry and Fisheries Minister Shoichi Nakagawa, Health, Labor and Welfare Minister Jiro Kawasaki, and Chief Cabinet Secretary Shinzo Abe. The cabinet ministers also confirmed the need to speed up the ongoing negotiations and sign EPAs at an early date. In a press conference after the meeting, Abe stated: "It is significant to speedily promote negotiations on FTAs, besides EPAs, with as many countries as possible."

19) Inclusion of SRM in US beef shipment to Japan: Differences in perceptions of both countries noticeable, with Japan seeing it as a "structural" problem and the US claiming it as a "unique" case

TOKYO SHIMBUN (Page 9) (Full)
March 8, 2006

Differences in the perceptions of Tokyo and Washington on the inclusion of specified risk materials (SRM) in a US beef shipment to Japan are becoming pronounced. In a report issued last month, the US government concluded that the problem was a unique case. On the other hand, the Japanese government has raised doubts about that comment, claiming that the matter is a structural problem concerning US safety control, with Agriculture Minister Nakagawa noting, "Characterizing the incident as a unique case must be avoided."

The Japanese government on Mar. 6 submitted a written inquiry comprising 20 questions regarding the US report. It called on the US to determine whether the incident was a unique case and whether the authorization of other facilities handling products shipped to Japan and inspections there were appropriate.

The government intends to examine the US reply and ask more questions, if necessary. Japan has also submitted written inquiries regarding the 2005 Japan Export Investigation Report, which noted inappropriate points found in the US beef inspection system. The US side is determined to speed up efforts to offer replies to both inquiries.

Differences in the views of the two governments are attributable to the stance of their legislatures. Some members of US Congress are assuming a hard-line stance in pursuit of an early resumption of US beef exports to Japan, by hinting at the possible implementation of sanctions against Japan, while in the Japanese Diet, both the ruling and opposition parties are cautious about reinstating beef trade.

The next focus of attention will be on US replies. Agriculture Minister Nakagawa will attend an informal ministerial meeting of the World Trade Organization (WTO) to be held in London from Mar. 10 through 12 and will likely meet with US Secretary of Agriculture Johanns on the sidelines.

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SCHIEFFER